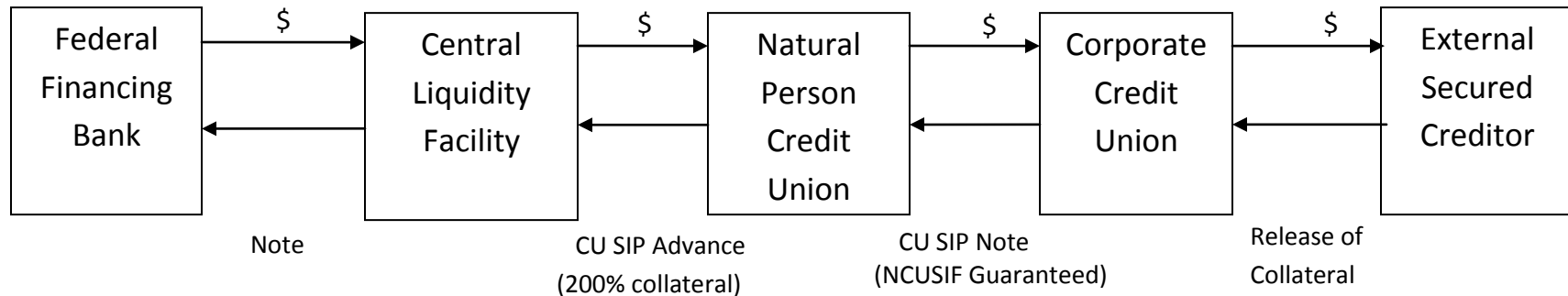


## Credit Union System Investment Program (CU SIP) December 2008

Description: Under this program, credit unions borrow from the Central Liquidity Facility (CLF) and invest the funds in corporate credit union debt guaranteed by the National Credit Union Share Insurance Fund (NCUSIF).

Objective: The corporate credit unions will pay down borrowings external to the credit union system, freeing collateral for future contingent liquidity needs.



### Program Steps:

1. CLF announces corporate credit union SIP Note offerings on CLF webpage: <http://www.ncua.gov/CLF/index.htm> . The SIP Notes will be guaranteed by the National Credit Union Share Insurance Fund (NCUSIF).
2. Natural person credit unions subscribe to SIP Note offerings through CLF Agent network of corporate credit unions and simultaneously request CU SIP Advance from CLF.
3. CLF announces awards and requests funding from the Treasury Department's Federal Financing Bank (FFB).
4. CLF delivers funds to natural person credit unions that in turn invest in corporate credit union SIP Notes.
5. Corporate credit unions pay down external secured borrowings with SIP Note proceeds.

Program benefit to natural person credit union:

1. The CLF charges the credit union interest on the CU SIP Advance. The CU SIP Advance Rate is the greater of the Primary Credit Rate on advances at a Federal Reserve Bank or the rate on a one year Treasury security plus  $1/8^{\text{th}}$  of one percent.
2. The credit union earns interest on the CU SIP Note. The CU SIP Note Rate is equal to the CU SIP Advance Rate plus  $1/4^{\text{th}}$  of one percent.
3. The net income to the credit union is  $1/4^{\text{th}}$  of one percent.

Program benefit to corporate credit union:

1. Corporate credit union receives a stable source of one year fixed-rate funds.
2. Corporate credit union retires external secured borrowings. This frees pledged collateral.
3. The corporate credit unions' unencumbered collateral frees up capacity for future borrowing needs.

**Permissibility to purchase SIP Notes**

Federal credit unions may invest in CU SIP Notes. CU SIP Notes are fully guaranteed by the National Credit Union Share Insurance Fund. A federal credit union has the authority to invest its funds in obligations or securities fully guaranteed as to principal and interest by the United States of America. 12 U.S.C 1757(7)(B).

**Central Liquidity Facility**

The CLF is a mixed-ownership government corporation under Title III of the Federal Credit Union Act. CLF serves to improve general financial stability by meeting the liquidity needs of credit unions and thereby encourage savings, support consumer and mortgage lending, and provide basic financial resources to all segments of the economy. 12 U.S.C. 1795.